

FISCAL MEMORANDUM

SB 1740 – HB 1826

April 26, 2007

SUMMARY OF AMENDMENT (006743): Deletes the language of the original bill. Defines the term “biodiesel” as it applies to the Petroleum Products and Alternative Fuels Tax Law. Authorizes manufacturers of biodiesel within Tennessee who sell tax-paid biodiesel within Tennessee to be entitled to a refund of 17 cents per gallon of biodiesel; requires all refunds to be paid from the General Fund. The effective date of this act is June 1, 2007. This act shall be repealed effective July 1, 2013.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenues –

Exceeds \$52,000 – FY06-07

Exceeds \$629,000 – FY07-08 through FY12-13

Decrease Local Govt. Revenues –

Exceeds \$18,000 – FY06-07

Exceeds \$221,000 – FY07-08 through FY12-13

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures –

Exceeds \$70,000 / General Fund – FY06-07

Exceeds \$850,000 / General Fund – FY07-08 through FY12-13

Assumptions applied to amendment:

- According to the Department of Revenue (DOR), there is at least one facility in Tennessee currently producing 5.0 million gallons of biodiesel fuel each year.
- 100% of biodiesel produced in Tennessee remains in the state.
- 100% of biodiesel produced in Tennessee is blended with petroleum and would be taxable at the applicable diesel fuel tax rate of 17 cents per gallon.
- According to DOR, there are plans for three additional biodiesel fuel facilities to be completed in the near future with total production capabilities exceeding 100.0 million gallons per year.

- The increase to state expenditures for such refunds is estimated to exceed \$850,000 per fiscal year (5.0 million gallons X \$0.17 refund per gallon = \$850,000).
- The increase to state expenditures resulting from refunds paid for the month of June 2007 is estimated to exceed \$70,000 ($\$850,000 \div 12 \text{ months} = \$70,833$).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with a horizontal line extending from the end.

James W. White, Executive Director

/rnc